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Report Highlights:

MEXICO OFF TO A GREAT START IN 2003*NAFTA FINANCIALLY BINDS U.S. AND MEXICO*BORDERLINE INVESTMENT*NAFTA ASSURING MEXICAN TRADE SURPLUS*"NAFTA HAS MORE THAN DOUBLED MEXICAN AG-EXPORTS"*VACCINATING FRUIT* ENFORCEMENT LAX FOR DAIRY TRQ'S*U.S. CORN BENEFITS MEXICAN CATTLE FARMERS*NO CORN RENEGOTIATION*CONSENSUS BUILDING*UNTA CALLS FOR AMENDMENT OF ARTICLE 27*NO MORE FASCIST POLICY*"TAKE CORN OUT OF NAFTA"* "OPEN YOUR BORDERS LIKE YOU PROMISED"

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO OFF TO A GREAT START IN 2003

Mexico started the year on the right foot with a January export surplus exceeding US\$3.17 billion, 9.5 percent better than December 2002 and 32.8 percent higher than that of January 2001, according to the U.S. Department of Commerce. (Source: *Milenio Diario*, 3/13/03)

NAFTA FINANCIALLY BINDS U.S. AND MEXICO

Market analyst Moody Investors Service indicated that there is growing evidence of long-term industrial growth, production, trade, and financial ties that bind the United States and Mexico since the signing of NAFTA. Mexico has become immune to domestic crashes and regional contagions since NAFTA's inception, and with a business cycle synchronized to U.S. business, greater expansion is sure to come. (Source: *El Financiero*, 3/13/03)

BORDERLINE INVESTMENT

On March 10, 2003, California Representative Bob Filner announced the creation of a five million-dollar fund to improve infrastructure at the Otay Mesa border crossing point, in order to facilitate the flow of commerce between Mexico and the United States. (Source: *El Financiero*, 3/11/03)

NAFTA ASSURING MEXICAN TRADE SURPLUS

According to data from the Mexican Bank of Foreign Trade (BANCOMEXT), Mexico's trade deficit with non-NAFTA members is increasing, while it has had an increasing trade surplus with NAFTA members in recent years. (Source: *El Universal*, 3/12/03)

"NAFTA HAS MORE THAN DOUBLED MEXICAN AG-EXPORTS"

The General Assembly of the American Chamber of Commerce in Mexico evaluated the risk of farming group demands to renegotiate NAFTA's agricultural chapter. U.S. Ambassador Tony Garza stated that some sectors in the United States have also been adversely impacted by free trade, but in Mexico this rhetoric is more indicative of nearing the upcoming elections. Ambassador Garza added, "the fact is that NAFTA has more than doubled Mexican agricultural exports to the United States and Canada." (Source: *Reforma*, *Milenio Diario*, 3/13/03)

VACCINATING FRUIT

Researchers from the Molecular Biotechnology Department of the National Polytechnic Institute (IPN), discovered that vaccinations that prevent cholera, amebic infections, and the flu, among others, could be implanted in most fruit. IPN researcher Miguel Angel Gómez said he hopes that everyone who consumes fruit will be immune. Mr. Gómez added that this would drastically lower medical costs and the problem of vaccine transportation. Moreover, according to the IPN research a "vaccinated fruit" would have the equivalent amount of vaccine of an oral dosage. Mexico's Agricultural Secretariat (SAGARPA) said that if the product passes the final stages of testing and is implemented, a hectare of bananas could vaccinate an entire population. (Source: *El Financiero*, 3/12/03)

ENFORCEMENT LAX FOR DAIRY TRQ'S

Dairy farmers urged the federal government to strictly enforce import quotas on powdered milk. According to the National Association of Milk Producers (ANGLAC) 30 percent of powdered milk comes from foreign producers. ANGLAC announced that Mexican producers supply over 9.5 million liters (2.5 million gallons) per year. The excessive milk imports threaten small and medium-sized producers who have had to drastically drop their prices and succumb to poverty, claimed the Center for Global Economic and Technological Agricultural and Agro-Industry Investigation (CIESTAAM). (Source: *El Financiero*, 3/12/03)

U.S. CORN BENEFITS MEXICAN CATTLE FARMERS

On March 11, 2003, Agriculture Secretary Javier Usabiaga said he opposed renegotiating the NAFTA agreement on corn, and warned that high levels of corn imports would continue supplying cattle producers who have greatly benefited from U.S. corn imports. (Source: *El Financiero*, 3/12/03)

NO CORN RENEGOTIATION

The Government of Mexico reiterated that it would not renegotiate corn from NAFTA's agricultural chapter. Agricultural Secretary Javier Usabiaga's chief advisor, Andrés Rosenzweig, advised that sorghum would be a good substitute for cattle and other livestock feed and that producers need not rely solely on corn imports. Mr. Rosenzweig added that renegotiating specific commodities could affect markets for related commodities. As an example, he noted that renegotiating oilseeds would imply discussing vegetable oil, which has fared well in the U.S. and Canadian markets. (Source: *El Financiero*, 3/12/03)

CONSENSUS BUILDING

The federal government and farming groups initiated the revision of the National Farmland Agreement to identify points of agreement and disagreement discussed in the National Agricultural Dialogues. The Secretary of Environmental Affairs, Víctor Lichtinger, Secretary of Agrarian Reform, María Teresa Herrera Tello, Secretary of Rural Development, Josefina Vázquez Mota, and Secretary of Agriculture, Javier Usabiaga, were present to provide input and discuss the necessary policy changes and strategies for the National Farmland Agreement. (Source: *El Universal*, 3/12/03)

UNTA CALLS FOR AMENDMENT OF ARTICLE 27

Alvaro López Ríos, leader for the National Farm Workers Union (UNTA), stated that his organization demands the National Farmland Agreement include an amendment to Article 27 of the Mexican Constitution. Governmental Affairs Secretariat officials stated that the organization's petition was valid, but made no indication as to whether it would be adhered to. Article 27 was amended under former President Carlos Salinas de Gortari and endows rural sector land grants and subsidies under the *Procampo* program. (Source: *La Jornada*, 3/12/03)

NO MORE FASCIST POLICY

Farming group leaders expressed their inconformity with the recent agricultural consensus-building sessions held by the executive government. The major farming groups say that instead of rehashing what was proposed in the National Agricultural Dialogue roundtables, they are stalling the already delayed National Farmland Agreement. They labeled the executive government's efforts as "fascist" and "poor," and also demanded that President Fox stop showing television and radio spots that proselytize the benefits of NAFTA in the rural sector. (Source: *El Universal*, *El Financiero*, 3/13/03)

"TAKE CORN OUT OF NAFTA"

The farming group, "The Farmland Can't Stand Anymore," said they ardently reject all of the arguments made by Agricultural Secretariat (SAGARPA) officials in response to their demand to exclude corn from NAFTA's agricultural chapter. Spokesman Víctor Suárez said that corn should temporarily be taken out of NAFTA and investment by the Government of Mexico should go into infrastructure for better irrigation technology, better roads, and better storage facilities. (Source: *El Financiero*, 3/13/03)

"OPEN YOUR BORDERS LIKE YOU PROMISED"

Secretary of the Economy, Fernando Canales, along with Secretary of Transportation and Communication, Pedro Cerisola, sent a communication to United States Trade Representative Robert Zoellick to request a meeting between U.S. and Mexican transportation officials, in order to discuss U.S. Department of Transportation requirements for Mexican truckers operating in the United States. The letter urges Ambassador Zoellick to open the U.S. borders to Mexican vehicles as stipulated by NAFTA. The letter also claims that the current requirements still "discriminate" against Mexican truckers. (Source: *La Jornada*, *El Financiero*, 3/13/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

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MX3028	Grain & Feed Annual	03/07/03
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